

TITLE 312 NATURAL RESOURCES COMMISSION**Economic Impact Statement**

LSA Document #11-421

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**Estimated Number of Small Businesses Subject to this Rule: Unknown (see below)**

Numerous firewood retailers in Indiana will be impacted by the proposed rule. It is impossible to know exactly how many firewood retailers are currently operating in the state. We do know that there are currently 312 compliance agreements documented by the Department of Natural Resources (DNR) Division of Entomology and Plant Pathology (DEPP). Included in this number are state-certified concessionaires and state properties, who sell firewood for use in their own campgrounds. Table B-1 lists the number of businesses by county and business type impacted by the rule.

Table B-1. Estimate of Impacted Small Businesses by Type

Business Type	Number
Local*	274*
State Concessionaire	14
State Property	24
Total	312

*This number only reflects the difference between the sum of concessionaires and state properties in current total compliance agreements.

Estimated Average Annual Reporting, Record Keeping, and Other Administrative Costs Small Businesses Will Incur for Compliance:

In order to sell firewood for use on state property, small business retailers (including state-certified concessionaires and state properties) will need to apply for and have in place annual compliance agreements approved by the DNR and may have to obtain certificates of inspection. There is no fee for obtaining compliance agreements or certificates of inspection. If a retailer is found through inspection to be out of compliance, the certification will be revoked and they will only be able to sell firewood for use outside of state properties. Firewood found in state properties to be without a compliance stamp (provided with each sale by certified retailers) will be collected by staff and burned as quickly as possible to reduce the risk of infecting the site. This rule would also make the compliance for visitors enforceable by conservation officers in instances where they refuse to surrender noncompliant firewood to property staff. Any fines will be processed and allocated as any other fines that result from a rule infraction.

The DEPP already maintains compliance agreements with firewood vendors and sawmills in compliance with the current emerald ash borer (EAB) rule, so this work would be an extension of current job duties for inspectors. Though the compliance agreement will be created and processed by the DNR, the small business retailer will need to initiate the process by applying for and meeting guidelines set by the compliance agreement. It is estimated that each business will incur a cost of 0.5 man days to complete the paperwork to initiate a compliance agreement annually. Assuming that the average employee earns ten dollars (\$10) per hour, this annual cost to each retailer would be \$40 (Table B-2).

The ongoing administrative cost for firewood retailers is similar to what is required by those affected by [312 IAC 18-3-18](#) and will include keeping records of the origin of firewood and how it is being mitigated to prevent development and spread of harmful pests and pathogens. They will also need to maintain records and have them available for inspection by the DNR or USDA/APHIS. The estimated number of man days for each retailer to maintain proper management of all records within the business is 0.5 man days per month. Assuming that the average employee earns ten dollars (\$10) per hour, the annual reporting and record keeping costs to each retailer would be \$480 per year (Table B-2). Depending on future threats to forest health from pests and pathogens, additional similar steps may be required for mitigation.

State owned campgrounds that produce and sell their own firewood on-site will need a compliance agreement and will be required to mitigate the firewood. Though the necessary actions (initiating compliance agreements and maintaining annual records) are estimated to be the same as those associated with retailers, these are only additional duties for existing staff and not increased expenditures. Thus, there is no anticipated record keeping or administrative cost for state campgrounds (Table B-2).

Table B-2. Estimated Average Annual Administrative Cost by Small Business Type

Small Business Type:	Annual Average Administrative Cost
Assumptions for Administrative Costs	

Local Maintenance and management of records = 0.5 man hrs/month	\$720
State Concessionaire Maintenance and management of records = 0.5 man hrs/month	\$720
State Property Only increased duties not costs	\$0

Estimated Total Annual Economic Impact on Small Businesses to Comply:

Once the initial compliance agreement has been established, annual costs to retailers are expected to be minimal. Retailers will need to make copies of compliance stamps so they can provide them with each firewood sale. It is difficult to determine this cost because different retailers likely sell variable amounts of wood depending on their business type and location. However, it is likely safe to say that four stamps can be copied on one 8.5 inch x 11 inch paper. Photocopies can reasonably be expected to be \$0.08 per single-sided copy and \$0.15 per double-sided copy. This would result in an annual cost of \$40-\$75 per 250 copies (1,000 stamps/sales).

For state-certified firewood to meet the property rule and to protect against high risk pests, it will be required within compliance agreements that firewood be debarked or aged for one year minimum and include aging through summer months (May-September) without interruption. For example, if they start aging in July 2011, the firewood would not be compliant for aging until September 2012.

The number of retailers debarking will likely be based on the size of their firewood business, assuming the smaller retailers will debark as they have the time to do so. The larger firewood producers/retailers will likely not choose to debark because the volume would exceed cost efficiency. However, a large firewood producer/retailer may be set up to slab off the bark from long pieces (logs and bolts). If they slab off the bark, they may also like to sell the slabwood as firewood to make revenue as the only other use of the slabwood would be to grind it for mulch.

For state-certified firewood to meet the property rule and to protect against high risk pests, it will be required within compliance agreements that firewood be debarked or aged for one year minimum and include aging through summer months (May-September) without interruption. For example, if they start aging in July 2011, the firewood would not be compliant for aging until September 2012.

The time to debark a standard rick of wood (4 feet x 8 feet x 16 inches) can vary by species, status of curing, and equipment used. One could reasonably estimate that 0.5 day per rick of wood may be a proper estimate with a standard log splitter. Given the variables mentioned above regarding curing and the fact that those sellers producing their own stock varies, as well as annual volumes, one cannot arrive at an annual cost for bark adequately.

Table B-3. Estimated Economic Impact to All Small Businesses*

Business Type	Total # of Small Businesses with Potential Impact	Cost per Small Business (assuming ~1,000 sales)	Total
Local	274	\$37.50	\$10,275
State Concessionaire	14	\$37.50	\$525
State Property	24	\$37.50	\$900
Total	312		\$11,700

*Impact does not include storage or debarking.

Justification Statement of Requirement or Cost:

The DNR is charged with managing and conserving the natural and cultural resources of Indiana. There are 140 or more pests and pathogens currently identified that can potentially be moved in firewood. Some of these pests can, if introduced to a DNR property, devastate forested areas where popular hiking trails and hundreds of rare and unique species are located. There is also a large potential of greatly reducing shade in property campgrounds. Many properties such as Pokagon, Spring Mill, and Indiana Dunes state parks and Salamonie Reservoir have already been impacted from one such pest, the EAB. Aside from the ecological ramifications, the additional costs of containing and managing such infestations are a concern. Spring Mill State Park recently spent 100 man hours cutting down and processing 50 ash trees over 40 acres in the campground that was recently infected with EAB. The resulting cost of such an effort at approximately \$20/hour is \$2,000. This does not include labor and the cost of replanting shade trees.

DEPP no longer spends money to treat EAB. The only remaining effective measures against this particular pest is education and outreach and the ability to slow its movement across the state through quarantines. The rule being proposed is geared more toward the 140 other pests that may try to invade the forests of state properties. Millions of dollars are spent in Indiana to treat for invasive species to ensure that exotic pests that are here already are slowed down, or to eradicate small populations of pests that are discovered in time. Many of

these pests are easily and inadvertently spread through firewood from area to area. This rule will prevent such from happening.

By imposing this rule, the artificial and natural spread of current and future forest pests can be slowed. It is hoped that science and research can progress in the meantime developing solutions to managing infestations effectively. By managing the artificial spread of pests and pathogens to state properties through firewood, the citizens will have a higher likelihood of experiencing their natural heritage as intended for generations to come. This will also help maintain these state properties as desirable destinations.

Regulatory Flexibility Analysis of Alternative Methods:

(A) Less stringent compliance or reporting requirements:

The compliance agreements are developed for each business with the intent to fit the requirements to each business operation to have minimal operational and economic impact but at the same time meet the biological needs of the rule. Thus, compliance agreements are made as flexible as biologically possible.

(B) Less stringent schedules or deadlines for compliance or reporting requirements:

For compliance, the biology of the pest or pathogen guides the establishment of time frames to operate. Until future research provides additional biological data to support amending time frames, the current deadlines and schedule are as flexible as possible to manage threats effectively.

(C) The consolidation or simplification of compliance or reporting requirements:

The USDA/APHIS and the DNR write compliance agreements. Each agency reciprocates on these compliance agreements. The state of Indiana recognizes and adopts the USDA/APHIS compliance agreement to meet state needs for the small business. USDA/APHIS will also recognize a state of Indiana compliance agreement. When required, these agencies work together to develop compliance agreements in consultation with each other. The monitoring of small businesses is also managed jointly to avoid duplication. These agencies work to consolidate and simplify compliance agreements and reporting requirements for all small businesses.

(D) Establishment of performance standards:

The compliance agreement establishes performance standards to meet biological needs to manage pests and pathogens. The standards are adapted to each small business's operational aspects to minimize impact to the business but at the same time meet biological needs.

(E) Exemption of small businesses from part or all of the requirements or costs:

Any retailer expecting wood sold by them to be used in a state property will be required to obtain a compliance agreement and, therefore, be subject to all associated costs.

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